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C O N F I D E N T I A L SECTION 01 OF 05 SUVA 000156

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SUBJECT: CHINA WADES MORE DEEPLY INTO THE PACIFIC

REF: A. SUVA 123
[1](#)B. BEIJING 5362
[1](#)C. SUVA 055
[1](#)D. SUVA 139

Classified By: AMBASSADOR DINGER. SECTIONS 1.4 (B) AND (D).

Summary

[1](#)1. (C) Chinese Premier Wen Jiabao and his delegation met with many Pacific Island leaders and businesses during an April 4-5 visit to Fiji. The leader of each of the eight Pacific Island nations with which China has relations held private discussions with Premier Wen, at the conclusion of which they signed bilateral communiques. Each nation also signed the China-drafted "Guiding Framework" for regional cooperation. The bilateral initiatives are diverse and potentially substantive, while the Framework is more aspirational. Several contacts report that Premier Wen's visit signifies a strong intent by China to strengthen its political influence in the region. According to the Taiwan representative in Fiji, Taiwan is under increasing pressure to increase aid flows to the region to keep pace with China's escalating involvement. End Summary.

China's Presence in Pacific: a "Strategic Decision"

[1](#)2. (SBU) On April 4-5 the leaders of the eight Pacific nations holding diplomatic relations with China attended the first China-Pacific Island Countries Economic Development and Cooperation Forum in Nadi, Fiji. None of the six Pacific nations recognizing Taiwan attended the Forum. Premier Wen's visit was the highest ranking ever by a PRC official to the South Pacific. Around 300 business-people from China and the region reportedly attended the two-day event.

[1](#)3. (SBU) In his keynote speech to the Forum's participants, Premier Wen characterized China's relationship with the region not as "diplomatic expediency...(rather) it is a strategic decision." Premier Wen stated that the economies of China and the Pacific are "mutually complementary. China has funding and technical expertise. The island countries are rich in natural resources. Herein lie huge potentials for bilateral cooperation." Fiji PM Qarase responded that,

"China defines a new and compelling reality, politically and economically...China's influence spreads internationally. We feel it here in the region. And we say, welcome China." But, Qarase made clear, Fiji is interested in trade as much as aid: "The message we deliver...is that we aim to be as self-reliant as possible. We want to limit, or remove completely, our dependency on aid and stand on our two feet."

14. (SBU) Premier Wen announced a wide-ranging package designed to strengthen relations and increase China's political and economic presence in the region. Besides \$375 million in preferential loans over the next three years, China will grant zero-tariff status to imports from the nations recognizing China, will cancel any bilateral debt that had matured by the end of 2005 for less-developed partners, and will extend payback dates by ten years for any matured debt for more-developed partners. Wen said China would provide free anti-malarial medicines for the next three years. Wen also promised to create a special government fund to encourage Chinese investment in the Pacific. Finally, he promised Chinese assistance in building an earthquake/tsunami early warning network in the region.

Regional Economic "Framework" Signed

15. (SBU) One of the centerpieces of the Forum was the signing by ministers of China and the Pacific Island nations in attendance (except New Zealand and Australia) of the "China-Pacific Island Countries Economic Development and Cooperation Guiding Framework" (Refs A-C). In his remarks to the Forum, PM Qarase pointed to the regular consultations already taking place between Japan's PM and the heads of the

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Pacific nations as a model for the Framework's future. (Note: The Framework is substantially unchanged from the draft we forwarded to Washington in February (Ref C). We will e-mail the final text to EAP/ANP and Embassy Beijing. End note.)

Joint Communiqué Reiterates Fiji Support of "One China" Policy

16. (SBU) China and Fiji signed a Joint Communiqué during the Forum. Fiji reiterated its commitment to the one-China policy, recognizing the PRC as the only legal government representing the whole of China and Taiwan as an inalienable part of China. In the Communiqué, Fiji states it opposes any attempt to create "two Chinas," "One China, One Taiwan," "Taiwan independence" or the inclusion of Taiwan in international or regional organizations that are only open to sovereign states. China and Fiji agreed their relationship should be guided by the nations' 1975 Joint Communiqué establishing diplomatic relations, the 2002 Joint Statement on Consolidating and Promoting Friendly Relations, and the Joint Press Communiqué.

Fiji MFA: Forum a Success; Onus on Fiji To Take Next Steps

17. (SBU) In an April 20 meeting with DCM and Poloffs, Fiji Acting Deputy Secretary for International Economic Affairs, Amena Yauvoli, expressed satisfaction with the Forum, particularly in light of the state visit by Premier Wen. Yauvoli believes the most concrete economic achievements arising from the Forum will be in the areas of technical assistance and tourism, but the "onus is on (Fiji) to take advantage of all the MOUs signed." China, he said, appears ready and willing to deepen the economic relationship.

18. (SBU) Yauvoli said Fiji signed the most MOUs with China of the Pacific nations which attended the Forum. He confirmed the signing of the following bilateral agreements:

- a quarantine technical assistance agreement, in which there would be an exchange of experts;
- a Chinese \$20 million "soft loan" to the Fiji government

for the development of an extensive e-government program;
--Chinese development of Taveuni Island's first hydro-power
plant in Somosomo.

Yauvoli also said various commercial agreements were signed:

--a port agreement regarding fisheries;
--Fiji Telecom's agreement to purchase various telecom
hardware; and
--Air Fiji's purchase of one Y12IV twin-propellor aircraft.

Yauvoli hopes that an umbrella cooperation agreement can be
created, whereby each MOU signed by the two sides would be
further developed. Yauvoli stated such a framework would
allow Fiji and China to more comprehensively advance existing
economic agreements and widen cooperation.

Debate Over Communique Language:
"China Can't Choose Who Our Friends Will Be"

¶9. (C) Yauvoli said there was considerable back and forth
in the run-up to the Forum over Communique language. China
insisted on the following particular language: "The Fiji side
considered China a WTO member committed to market economy and
recognized China's full market economy status." The Chinese
asked PM Qarase to express similar language in his remarks at
the Forum. As Qarase did not object, the language was
inserted into his speech. However, Fiji did not accept all
of China's requests. China objected to proposed language on
Fiji's unofficial relations with Taiwan, but ultimately
accepted Fiji's suggested formulation, "The only relations
Fiji will maintain with Taiwan are in the promotion of
unofficial economic and commercial ties." Yauvoli said Fiji
insisted on that because "they (the PRC) can't choose who our

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friends will be." Fiji also succeeded in toning down
language on multilateral cooperation. The final paragraph
expresses satisfaction with the two side's coordination and
cooperation in international and regional organizations.
According to Yauvoli, the Chinese had attempted to introduce
much stronger language that would have expressed Fiji's
agreement to more rigorously support China's various
positions in the UN and other multilateral fora.

China Ambassador: Aid with No Strings Attached, But...

¶10. (C) During a lunch with the Ambassador and emboffs April
20, Chinese Ambassador to Fiji Cai Jinbiao described the
Forum and Premier Wen's visit as productive and successful.
In discussing particular initiatives, Cai invariably described
the results as modest. For example, that China's decision to
cancel debt for LDCs in the region would probably have very
little impact. Fiji currently has no matured debt, and in
any case is not a "least developed country." Similarly,
other Pacific partners either had little or no debt maturing
by 2005, or were ineligible for the gesture because they were
not LDCs. Cai downplayed Chinese tourism to the region. For
the near term, most Chinese will find travel to the South
Pacific to be expensive, and Chinese airlines are not likely
to establish direct flights to Fiji or other Pacific states.
Cai said a proposal for cooperation on an earthquake
early-warning system was offered to gauge interest. If the
region wants, the Chinese would be happy to talk about it.

¶11. (C) Turning to Taiwan-PRC rivalry in the region, Cai
said Taiwan's "dollar diplomacy" is partly to blame for
instability in the Pacific. On the other hand, China's
assistance to the region is with "no strings attached," as
the Premier stated in his speech at the Forum. Of course,
continued Cai, the PRC expects nations to adhere to the One
China Policy. China's aid, however, is a tool China uses to
increase economic and political regional stability, not to
"buy support."

Tonga PM: Loans "Like Elections,

Details Will be Worked Out Later"

112. (SBU) Tonga PM Fred Sevele expressed lukewarm feelings about the Forum when he met with Ambassador, DCM and Poloff April 5. When asked if he found the conference valuable, he replied, "I guess." He said no new initiatives resulted from his bilateral meeting with Premier Wen, but he noted continuation of Chinese-funded projects such as the construction of Tonga High School, loans to renovate the Dateline Hotel, and a soft loan to the Crown Prince's Shoreline Electric Company. The PM disparaged the Chinese decision to forgive debt, saying the amounts were likely very small and that the gesture was an "easy one." When asked about the actual details of the preferential loans China is offering, Sevele stated there were none yet: "It's like an election," he stated, "the details will be worked out later."

He speculated, however, that PNG would receive the bulk of loans doled out. Note: we heard separately that Sevele lobbied for a large Chinese grant to help Tonga ride out a current fiscal crisis.

The View from the Forum Secretariat

113. (SBU) Jim Gosselin, economic and trade advisor at the Pacific Island Forum (PIF) Secretariat, told DCM and Poloff that he hopes the Guiding Framework signed by leaders will evolve into something substantial over the next few years, so that by 2009, when the China-Pacific Economic Forum takes place in Beijing, nations would have "something to report." Gosselin said that, despite the Guiding Framework's regional platitudes, China's relations in the region remain almost exclusively focused on bilateral relationships.

114. (SBU) Gosselin said little discussion of substance occurred during open sessions of the Forum, but he was struck by comments of a minister from the Federated States of

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Micronesia, who said that Pacific Island nations are looking for more than aid: "We want joint venture projects, not just licensing agreements." Gosselin said the Fiji Commerce Minister's comments at the Conference were also quite striking. He initially complimented the Chinese as an emerging "super power in trade" and stated that Fiji benefits "immensely from its strong diplomatic ties with China." "However," he continued, "as a friendly reminder, let me also emphasize the importance of understanding our various cultures. The greater the understanding that we have of each other's way of doing business, the more advantages we can generate out of this type of encounter...This is important in order to avoid the untimely termination of key projects and withdrawal from projects tagged with high development potential that will give us greater job opportunities to improve our standards of living." The Minister's comments were a clear, if indirect, criticism of a Chinese company which contracted to modernize the King's Road in eastern Viti Levu but then, after several years and much expenditure, failed to carry through.

Taiwan Trade Rep: China's Presence Not Just About Taiwan

115. (C) Sherman Kuo, Taiwan's Trade Mission Representative to Fiji told the DCM and Conoff in an April 12 meeting that the PRC's objective in sponsoring the Forum was more than just about countering Taiwan influence in the Pacific. "If this were only about Taiwan, there would be no need to spend so much money." Kuo said China always "talked big" and financed certain high-profile projects, but never before had he seen China so serious about expanding its presence in the region. Kuo noted that his office closely followed Forum events and in fact "placed a man" there to monitor developments.

116. (C) Kuo said China's actions increased "pressure" on Taiwan from the countries in the region with which it has diplomatic ties. Kuo relayed a recent chance encounter with the Tuvalu PM, who semi-jokingly said that as a result of the

Forum, he no longer feels Taiwan's aid is enough. "If China is offering (nations holding diplomatic relations with China) \$100, we need Taiwan to offer us \$200-300," he said. Kuo highlighted China's \$20 million preferential loan to develop Fiji's e-government system as an example of the pressure being put on. "Taiwan will not spend this kind of money," Kuo said. Kuo said Taiwan's Pacific policy is currently "under review." He suggested only two options: either invest more and more resources in the region, or start pulling back. Kuo did not indicate which policy he prefers.

¶17. (C) Kuo was particularly concerned about the Fiji-China Communique's language opposing Taiwan's presence in sovereign-state organizations. He noted that Fiji supported Taiwan's bid last year to have observer status in the World Health Organization (WHO). But Fiji has yet to reiterate that support, and Kuo worries that the Communique's language may be a sign Fiji will drop its effort.

¶18. (C) Kuo said he was not aware of any plans for a Taiwan-sponsored conference in response to the PRC-sponsored Forum. (Note: The PIF Secretariat's Gosselin told us that when the China-Pacific Forum was first announced, Taiwan protested strongly, and stated it planned to ask for the PIF's help in facilitating a similar conference. Gosselin said there was been no follow-up from Taiwan since. On the other hand, Chinese Ambassador Cai has heard, as we have, that Taiwan may plan to host its conference in Palau this summer.)

Comment

¶19. (C) The recent conference confirms that China believes it should play an important role in the South Pacific. Although the fervent intention to isolate Taiwan diplomatically looms large, China's strategy seems broader. The search for natural resources, including fish, factors in, as most likely do desires to gain influence over Pacific-island votes in

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international fora and, more generally, to demonstrate big-power status in the region. Still, China's path may not be smooth. Island leaders have observed that some big-ticket offers, like debt relief, are basically smoke and mirrors. The region chafes at sometimes crude Chinese efforts to turn off any dealings with Taiwan. Other relationships, including with Australia, New Zealand, the EU, and the U.S., are longer lasting and remain productive. Nonetheless, China did illustrate quite vividly it has a seat at the Pacific table, and all other players must factor that into future bets.
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